

VZCZCXRO2872  
RR RUEHPT  
DE RUEHBY #0033/01 0090652  
ZNR UUUUU ZZH  
R 090652Z JAN 09  
FM AMEMBASSY CANBERRA  
TO RUEHC/SECSTATE WASHDC 0803  
INFO RUEHLO/AMEMBASSY LONDON 1962  
RUEHFR/AMEMBASSY PARIS 1497  
RUEHRL/AMEMBASSY BERLIN 1051  
RUEHLP/AMEMBASSY LA PAZ 0048  
RUEHKO/AMEMBASSY TOKYO 3359  
RUEHWL/AMEMBASSY WELLINGTON 5591  
RUEHGP/AMEMBASSY SINGAPORE 1642  
RUEHOT/AMEMBASSY OTTAWA 2264  
RUEHDN/AMCONSUL SYDNEY 4095  
RUEHBN/AMCONSUL MELBOURNE 5887  
RUEHPT/AMCONSUL PERTH 4153  
RUEHBS/USEU BRUSSELS  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 02 CANBERRA 000033

SENSITIVE  
SIPDIS

E.O. 12958: N/A

TAGS: [ECPS](#) [ECON](#) [AS](#)

SUBJECT: AUSTRALIA BROADBAND - A SNAPSHOT (CORRECTED COPY)

¶1. (U) Summary: In Australia 4.3 million households (52%) have broadband connections, an increase of 800,000 through the Australian fiscal year ending June 30; 78% of Australian households with internet access have broadband. There has been more than a five-fold increase in the number of household Internet connections over the last ten years. Three-quarters (6.2 million) of Australian households have access to a computer, and 5.5 million of these have Internet access, Australia remains near the top of world figures in internet and computer use, although it suffers in comparison to other OECD countries on speed and access costs. End summary.

#### International Comparison of Australian Broadband Coverage

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¶2. (U) In 2007, the percentage of households with access to a home computer ranged from 89% (Iceland) to 12% (Turkey) with Australia's level of computer use at home being towards the upper end of this range at 75%. During 2007, Korea reported the highest penetration of household Internet access (94%). For Australia the percentage of households with home Internet access was 67%, while the European Union average was 56%. In Australia, 52% of households have broadband access, compared to 94% in Korea, 43% in the EU, and under 2% in Turkey (2007 OECD figures). However, Australia's figures are less impressive when viewed in terms of broadband subscribers per 100 inhabitants; in June 2008 Australia's figure was 23.5 subscribers/100 inhabitants, far behind leaders Korea (31.2) and Finland (30.7).

¶3. (U) These figures also fail to capture broadband speeds and costs, where Australia lags significantly. According to a 2007 study by the Committee for Economic Development of Australia, Australia was dead last in the OECD for download speeds. The term "broadband backwater" is frequently applied to Australia, and was a key reason that both the incumbent Howard government and the Australian Labor Party challengers announced plans to improve Australia broadband speeds and access in the run-up to the November 2007 election. Australia lags internationally in terms of the average cost of broadband in terms of download speed (monthly price per advertised Mbit/second, US\$, PPP). Using this measure, Australia ranked 23rd in an OECD survey in mid-2007 - with \$US21.34 per megabyte per second, seven times more expensive than Japan (\$3.09). Australia is almost twice as expensive as the United States (\$12.60) and well behind most comparable developed countries such as Germany (\$8.44), the United

Kingdom (\$5.29) and Italy (\$4.61).

#### Comparison of Broadband Penetration

Country	broadband penetration subscribers per 100 inhabitants, June 2008)
Korea	31.2
Finland	30.7
Canada	27.9
UK	27.6
United States	25.0
Australia	23.5*
Japan	23.0
OECD	21.3
New Zealand	20.4
Italy	18.2
Greece	11.2
Turkey	6.8

\*Australia is 16th out of 30.

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#### DSL Dominant Broadband Connection

14. (U) The dominant technology for broadband internet connections at home was Digital Subscriber Line (DSL), used by 69% of households with broadband access. In 2007-08, cable connections dropped by 3 percentage points decrease in cable connections, offset by a 3 percentage points increase in other technologies, largely driven by the take up of wireless

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and satellite broadband technologies. The growth in satellite connections (which now accounts for 3% of all broadband connections) has mostly taken place in rural Australia.

#### Government Policy on Broadband

15. (U) The Rudd Government has two main policies to provide a broadband internet network across Australia with almost universal coverage. One is the National Broadband Network (NBN) which aims to provide download speeds of at least 12 megabits per second to 98% of Australian homes, with a government subsidy of up to \$A4.7 billion (US\$3.4 bn). For NBN reporting, see 2008 Canberra cables 401 (request for proposals issued), 704 (bidding deadline postponed), 1173 (deadline approaches), and 1277 (GOA rejects Telstra bid). The second is the Australian Broadband Guarantee (ABG) which subsidizes internet services in remote areas (funding of A\$271 million over 4 years).

#### Who Has Broadband?

16. (U) Predictably, metropolitan areas have higher proportion of broadband connections; 57% of households in metro areas have broadband, compared to 43% in small-town and rural Australia. Households with children under 15 are much more likely to have broadband access (67%) compared to households without (46%). Not surprisingly, households with an income of A\$120,000 (US\$85,000 at current exchange rates) or more had substantially higher rates of access (81%) than households incomes of less than \$40,000 (38%).

17. (SBU) Comment: Australia has a mixed performance. After a reasonably quick start on home computing and the internet, it has lagged on broadband. In particular, Australians are generally dissatisfied at speeds and costs, in particular when compared to other developed countries. Australia's geography and spread-out population has made it more difficult and expensive to get broadband access to small town and rural populations. However, most Australians live in a half-dozen metropolitan areas, so geography alone cannot explain the lag, and does not explain high costs and low

download speeds. For that, we must fall back to the explanation of much of the problems in Australia's telecommunications sector - the dominance of former monopoly Telstra and the affect that has had on competition, in internet as in telephony. End comment.

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